

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



13TH DISTRICT AGRICULTURAL ASSOCIATION
YUBA-SUTTER FAIR
YUBA CITY, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #08-010
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

13TH DISTRICT AGRICULTURAL ASSOCIATION
YUBA-SUTTER FAIR
YUBA CITY, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Pamela Vallerga
Samprit Kaur

Audit Chief
Assistant Audit Chief
Auditor
Auditor

AUDIT REPORT NUMBER

#08-010

13TH DISTRICT AGRICULTURAL ASSOCIATION
YUBA-SUTTER FAIR
YUBA CITY, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr Robert Carr, President
Board of Directors
13th DAA, Yuba-Sutter Fair
442 Franklin Avenue
Yuba City, California 95991

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 13th District Agricultural Association (DAA), Yuba-Sutter Fair, Yuba City, California, as of December 31, 2007 and 2006, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 13th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

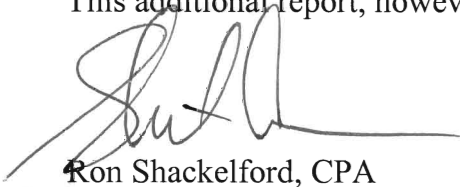
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 13th DAA, Yuba-Sutter Fair, as of December 31, 2007 and 2006, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 13th DAA, Yuba-Sutter Fair has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #08-010, on the 13th DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 13th DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in black ink, appearing to read 'Ron Shackelford', with a long horizontal line extending to the right.

Ron Shackelford, CPA
For Chief, Audit Office

March 28, 2008

**13TH DISTRICT AGRICULTURAL ASSOCIATION
YUBA-SUTTER FAIR
YUBA CITY, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
December 31, 2007 and 2006**

	Account Number	2007	2006
ASSETS			
Cash	111-117	\$ 488,489	\$ 488,825
Accounts Receivable, Net	131-133	12,758	11,497
Deferred Charges	143	-	8,070
Construction in Progress	190	-	12,466
Land	191	92,728	92,728
Buildings and Improvements, Net	192	1,086,613	1,083,393
Equipment, Net	193	14,876	21,031
TOTAL ASSETS		<u>1,695,464</u>	<u>1,718,010</u>
LIABILITIES AND NET RESOURCES			
Liabilities and Other Credits			
Accounts Payable	212	13,449	13,059
Current Portion of Long Term Debt	212.5	5,939	5,622
Taxes Payable	221-226	200	1,846
Deferred Income	228	13,847	52,956
Guaranteed Deposits	241	5,405	10,681
Compensated Absences Liability	245	42,638	40,958
Long Term Debt	250	29,859	35,798
Total Liabilities and Other Credits		<u>111,338</u>	<u>160,920</u>
Net Resources			
Reserve for Junior Livestock Auction	251	58,149	46,559
Net Resources - Operations	291	367,559	342,333
Net Resources - Capital Assets, net related debt	291.1	1,158,419	1,168,198
Total Net Resources Available		<u>1,584,127</u>	<u>1,557,090</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 1,695,464</u>	<u>\$ 1,718,010</u>

**13TH DISTRICT AGRICULTURAL ASSOCIATION
YUBA-SUTTER FAIR
YUBA CITY, CALIFORNIA**

**STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2007 and 2006**

	Account Number	2007	2006
REVENUE			
State Apportionments	312	\$ 124,000	\$ 124,000
Capital Project Funds	319	35,000	38,781
Other Revenue	340	25,000	17,341
Admissions	410	218,458	213,245
Commercial Space	415	27,603	31,921
Carnival	421	115,315	105,517
Concessions	422	54,335	57,872
Exhibits	430	13,283	10,936
Attractions - Fairtime	460	42,948	43,159
Miscellaneous Fair	470	93,446	95,912
JLA - Revenue	476	46,231	43,405
Non-Fair Revenue	480	318,461	233,899
Prior Year Adjustment	490	(240)	2,549
Other Revenue	495	22,956	26,655
Total Revenue		<u>1,136,796</u>	<u>1,045,191</u>
EXPENSES			
Administration	500	317,434	292,068
Maintenance and Operations	520	319,359	300,414
Publicity	540	32,162	29,794
Attendance	560	72,489	67,926
Miscellaneous Fair	570	54,795	12,433
JLA - Expense	576	34,641	31,838
Premiums	580	18,692	16,035
Exhibits	630	29,029	26,604
Attractions - Fairtime	660	147,918	153,435
Equipment	723	-	2,030
Prior Year Adjustments	800	(958)	(5,290)
Cash Over/Short from Ticket Sales	850	633	920
Depreciation Expense	900	58,565	67,808
Other Operating Expense	945	25,000	17,341
Total Expenses		<u>1,109,760</u>	<u>1,013,356</u>
RESOURCES			
Net Change - Income / (Loss)		27,037	31,834
Resources Available, January 1		1,557,090	1,525,256
Resources Available, December 31		<u><u>\$ 1,584,127</u></u>	<u><u>\$ 1,557,090</u></u>

**13TH DISTRICT AGRICULTURAL ASSOCIATION
YUBA-SUTTER FAIR
YUBA CITY, CALIFORNIA**

STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ 27,037	\$ 31,834
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(1,261)	3,216
(Increase) Decrease in Deferred Charges	8,070	(8,070)
Increase (Decrease) in Accounts Payable	707	11,547
Increase (Decrease) in Payroll Taxes and Other Liabilities	(1,646)	454
Increase (Decrease) in Deferred Income	(39,109)	39,441
Increase (Decrease) in Compensated Absence Liability	1,681	(2,648)
Increase (Decrease) in Guarantee Deposits	(5,276)	1,021
Total Adjustments	<u>(36,834)</u>	<u>44,961</u>
Net Cash Provided (Used) by Operating Activities	<u>(9,797)</u>	<u>76,796</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Construction In Progress	12,466	37,534
(Increase) Decrease in Land	-	-
(Increase) Decrease in Buildings & Improvements	(3,219)	(45,342)
(Increase) Decrease in Equipment	6,154	(13,631)
Net Cash Provided (Used) by Investing Activities	<u>15,400</u>	<u>(21,439)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability	(5,939)	35,798
Net Cash Provided (Used) by Financing Activities	<u>(5,939)</u>	<u>35,798</u>
NET INCREASE (DECREASE) IN CASH	(336)	91,154
Cash at Beginning of Year	488,825	397,671
CASH AT END OF YEAR	<u><u>\$ 488,489</u></u>	<u><u>\$ 488,825</u></u>

**13TH DISTRICT AGRICULTURAL ASSOCIATION
YUBA-SUTTER FAIR
YUBA CITY, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 13th District Agricultural Association (DAA) was formed on June 1934, for the purpose of sponsoring, managing, and conducting the Yuba-Sutter Fair each year in Yuba City, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The 13th DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the 13th DAA to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the 13th DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The 13th DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges.

The 13th DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The 13th DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The 13th DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the 13th DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and depreciated. Buildings and improvements are depreciated over a period of 30 years, and purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax of 7.25% on all of the 13th DAA's sales of merchandise. The 13th DAA collects that sales tax from customers and remits the entire amount to the state Board of

Equalization. The 13th DAA's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2 CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the 13th DAA as of December 31:

	<u>2007</u>	<u>2006</u>
Petty Cash	\$ 200	\$ 300
Cash in Bank - Operating	57,283	58,078
Cash in Bank - JLA	46,559	34,992
Cash in Bank - Payroll	-	5
Investment	<u>384,447</u>	<u>395,448</u>
 Total Cash and Cash Equivalents	 <u><u>\$ 488,489</u></u>	 <u><u>\$ 488,825</u></u>

NOTE 3 ACCOUNTS RECEIVABLE

The 13th DAA is required to record an allowance for doubtful accounts based on estimates of collectibility.

	<u>2007</u>	<u>2006</u>
Accounts Receivable - Trade	\$ 12,758	\$ 11,497
Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>
 Accounts Receivable - Net	 <u><u>\$ 12,758</u></u>	 <u><u>\$ 4,429</u></u>

NOTE 4 PROPERTY AND EQUIPMENT

Buildings and improvements, and equipment at December 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Building & Improvements	\$ 2,596,809	\$ 2,541,178
Less: Accumulated Depreciation	<u>(1,510,197)</u>	<u>(1,457,785)</u>
 Building & Improvements - Net	 <u><u>\$ 1,086,613</u></u>	 <u><u>\$ 1,083,393</u></u>

Equipment	\$ 99,898	\$ 99,989
Less: Accumulated Depreciation	(85,023)	(78,867)
Equipment - Net	<u>\$ 14,876</u>	<u>\$ 21,031</u>

NOTE 5 **LONG-TERM DEBT**

In 2006, the 13th DAA signed a promissory note to California Fair Services Authority (CFSA) to finance the roof repairs of the Fair's building. The terms of the agreement are as follows:

CFSA Palmer Hall Loan:

Loan Amount	\$ 45,000
First Payment Date	March, 2006
Payment Amount	\$ 7,760
Duration of Loan	7 years
Interest Rate	5.5%
Total Outstanding at 12/31/07	\$ 35,798
Current Portion at 12/31/07	\$ 5,939
Long-Term Portion at 12/31/07	\$ 29,859

NOTE 6 **RETIREMENT PLAN**

Permanent employees of the 13th DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the 13th DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The 13th DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The 13th DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the 13th DAA participates in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 7

RECLASSIFICATION

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**13TH DISTRICT AGRICULTURAL ASSOCIATION
YUBA-SUTTER FAIR
YUBA CITY, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 13th DAA Board of Directors
1	Chief Executive Officer, 13th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



13TH DISTRICT AGRICULTURAL ASSOCIATION
YUBA-SUTTER FAIR
YUBA CITY, CALIFORNIA

MANAGEMENT REPORT #08-010

YEAR ENDED DECEMBER 31, 2007

13TH DISTRICT AGRICULTURAL ASSOCIATION
YUBA-SUTTER FAIR
YUBA CITY, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Pamela Vallerga
Samprit Kaur

Audit Chief
Assistant Audit Chief
Auditor
Auditor

MANAGEMENT REPORT NUMBER
#08-010

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Robert Carr, President
Board of Directors
13th DAA, Yuba-Sutter Fair
442 Franklin Avenue
Yuba City, California 95991

In planning and performing our audit of the financial statements of the 13th District Agricultural Association (DAA), Yuba-Sutter Fair, Yuba City, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Yuba-Sutter Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 13th DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 13th DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly



recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 13th DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 13th DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 13th DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 13th DAA and compliance with state laws and regulations, we identified two areas with reportable conditions that are considered weaknesses in the Fair's operations: accounts receivable for interim revenue, and standard contracts. We have provided two recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 13th DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

ACCOUNTS RECEIVABLE FOR INTERIM REVENUE

The Fair did not establish receivables totaling \$2,410 for interim revenues owed to the Fair at year-end 2007. Our office noted that the Fair did not record an accounts receivable of \$1,875 for interim rental revenue earned in 2007. In addition, the Fair did not establish a receivable at year-end to properly recognize a reimbursement due for December interim utilities of \$535. Although payments of these revenues were not received until January 2008, Generally Accepted Accounting Principals (GAAP) requires entities to accrue all revenues and expense in the accounting period in which the activity occurred.

Recommendation

1. *The Fair should comply with GAAP by establishing an accounts receivable for any amounts earned during the year and still outstanding at year-end. In addition, the Fair should review its reimbursable expenditures at year-end to ensure proper recording of amounts due to the Fair as receivables in the year the funds were spent.*

STANDARD CONTRACTS

The Fair paid its sound and lighting contractors in excess of the contractual bid amounts without writing a new contract or amending the existing contract. The Fair made an additional payment of \$2,300 to its sound contractor and \$1,500 to its lighting contractor without having properly accounted for the change in the terms of the contract. Fairs and Exposition's Contract Manual, Section I, 1.120, requires that any changes made to the contractual amounts should be reflected in amendments to the contract and signed by both parties.

Recommendation

2. *The Fair should amend contracts when the terms and conditions have changed. Furthermore, amended contracts should reflect each party's initials and date. This will help prevent any disputes between the Fair and the contracting party as to the duties and obligations to be performed under the contract.*

NON-REPORTABLE CONDITIONS

CASH RECEIPTS

The Fair did not always deposit cash receipts in a timely manner. The Accounting Procedures Manual (APM), Section I, 2.331, requires the Fair to make daily deposits whenever currency exceeds \$500, or when the aggregate cash exceeds \$5,000. Our office noted instances where the Fair allowed amounts exceeding the cash limit to remain undeposited for up to six days.

Recommendation

The Fair should ensure they deposit cash receipts within the timeframes specified in APM Section I, 2.331. The timely deposit of cash receipts helps minimize the risk of loss or other misuses of the cash or cash equivalents collected.

EXPENDITURES

Our office noted that the Fair did not prepare the Standard Form 65, Contract/Delegation Purchase Order, for all purchases of goods greater than \$100, as required by the Department of General Services (DGS) purchasing guidelines and the APM. This was a prior year finding. Our office noted at least eight instances, totaling approximately \$2,536, in which a Standard Form 65 should have been prepared.

Recommendation

The Fair should ensure they follow existing DGS guidelines and the APM by preparing standard Form 65 for all purchases exceeding \$100.

ACCOUNTS PAYABLE

The Fair overstated its accounts payable in 2007 by \$2,471, recognizing expenditures which related to payable obligations for 2008. Although the bills for the amounts had been received by December 2007, the amounts were not obligated to be paid for 2007 and did not constitute a liability to the Fair at that time. The \$2,471 comprised a service agreement for the first three months of 2008 and a payment for January 2008 medical premium expenses. GAAP and the accrual basis of accounting require the recognition of an expense in the period in which it is incurred, when the benefit of the expense is to be received, which, in this instance, was 2008 rather than 2007.

Recommendation

The Fair should ensure it properly classifies all expenditures in the proper accounting period in which they were incurred.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE



442 Franklin Avenue
Yuba City, CA 95991

530.674.1280 tel
530.674.2196 fax

13th District Agricultural Association • email: info@ysfair.com • www.yubasutterfair.com

June 11, 2008

Ron Shackelford, Audit Chief
CDFA Audit Office
1220 N Street, Room 344
Sacramento, CA 95814

Dear Ron:

The 13th District Agricultural Association has reviewed the audit of the financial records and management reports conducted by the Audit Office. The management report covers the period of January 1, 2007 through December 31, 2007.

In compliance with the audit we are responding with written documentation that the following recommendations have been implemented:

REPORTABLES CONDITIONS:

Accounts Receivable for Interim Revenue

The Fair has implemented procedures to ensure that all receivables will properly be recorded at year-end.

Standard Contracts

The Fair has implemented procedures and advised Fair Staff on amending any contracts when the terms and conditions have changed.

NON-REPORTABLE CONDITIONS:

Cash Receipts

The Fair has made the proper changes to ensure that the deposits will be made in a timely manner according to Section I, 2.331.

Expenditures

The Fair Staff does make every effort to ensure that the proper procedures and forms are completed. It has been an on-going battle during the preparation of the fair with multiple volunteer's not following proper procedures.

The Fair Staff and volunteers have been informed that the Fair Accountant will not pay any invoice without proper documentation and a signed Std. 65.

Accounts Payable

The Fair will make every effort to properly classify all expenditures in the proper accounting period at year-end.

Sincerely,

Charley Mathews Jr., President

Sincerely,

Regina Goody, CEO

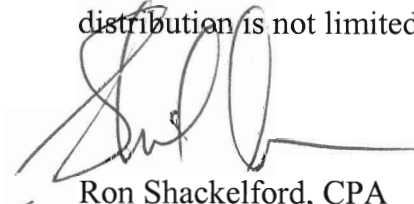
CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 13th DAA – Yuba Sutter Fair, for their review and response. We have reviewed the response and it satisfactorily addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between March 17, 2008 and March 28, 2008. My staff met with management on March 28, 2008 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



For Ron Shackelford, CPA
Chief, Audit Office

March 28, 2008

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 13th DAA Board of Directors
1	Chief Executive Officer, 13th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office